Special Issue: Harry White and The German Currency Plates

I. F. Stone's Weekly

VOL. 1, NUMBER 47 DECEMBER 27, 1953 WASHINGTON, D. C. 15 CENTS

Ike Enlists in The Witch-Hunt

"I was not displeased at anything I heard," McCarthy said on leaving the White House legislative conference last week-end. He had reason to be gratified. The President had enlisted under his banner and Brownell's in the witch-hunt. The period of coy disclaimers and vapid invocations of Wild Bill Hickok are over. The man who was unwilling to turn his back on the traducers of his friend and patron, General Marshall, again demonstrates the flexible conscience he brought to the game of politics. The full weight of the White House is to be put behind the twin bills Brownell, J. Edgar Hoover, and McCarthy want: a bill to legalize wire-tapping and give the secret police carte blanche to pry into everyone's private conversation; a bill to force witnesses to give up their Fifth Amendment privilege against self-incrimination.

The liberal organizations—ACLU, ADA—which testified "against" the wiretap bills last spring all added if and buts adequate for the witch hunt's purpose. They all agreed that in suspected cases of espionage, sedition, sabotage and treason, the FBI should have the right to tap wires and use the evidence. This is broad enough to run a highway through—the highway to Fascism. Wire-tapping will be used to collect "seditious utterance" and evidence of "guilt by association". The circular reasoning of the loyalty purge—A is suspect because he knows B and B because he knows C and C because he knows A—will make its appearance in criminal proceedings. As for the immunity bill, its real purpose is to force radicals to run the hazards of perjury contests against pet informers or go to jail for contempt. Many now invoking the Fifth are innocent of any crime but fearful of undergoing the kind of ordeal to which Hiss, Remington and Lattimore have been subjected.

The Meaning of the Beria Case for America

For the sake of remaining in political power, fearing an unfavorable verdict at the polls in a fair campaign, the Republicans are revising history, defaming the dead and launching on a campaign of smear and terror to remain in power. A similar process is taking place in our great adversary and mirror-image, the Soviet Union, though in a more advanced stage of degeneration. Beria, one of Stalin's closest associates all through the Great War, was arrested five months ago, held incommunicado and is now to be tried as a lifetime agent of foreign intelligence and capitalist imperialism. This fantastic rubbish is shielded from examination, since the prosecution has invoked the Kirov law of 1934 which provides for trials in secret, without counsel or right of appeal, and for the immediate death penalty. Apparently Beria was unwilling to "confess"; the methods he himself used in the past seem to have failed to break him in turn.

More of the same may be expected from Moscow, since Dekanozov, one of the three other Georgians accused with Beria, has been closely associated with Molotov as deputy foreign minister since 1940. Trumped up charges, distortions of motive and past events, are being used there as here in a political power struggle. America is still a long way from the Russian pattern, but a few more years of the current trend will bring us closer. The weakening of the right to counsel, the invasion of privacy, the policing of political ideas, the acceptance of the notion that the security of the State excuses possible injustice to the individual, the establishment even in the courts of the idea that the FBI may withhold the source of evidence to protect its sources of information, the cloak thrown over the malicious and the crackpot, the informer and the perjurer—all these are in the totalitarian pattern. On one side, as in some Orwellian nightmare, serried ranks of Communists are taught to believe without question any charge against those whom they had but yesterday honored—on the other side, the same regimented gullibility of the American style, McCarthy era, anti-Communist. On either side, to doubt is dangerous; to question is to make oneself suspect.

The Grave-Robbers of The G. O. P.

Pertinax wrote of the grave-diggers of France: the men who betrayed her to Fascism. Some day an American perhaps in exile will write of the grave-robbers of America. The G.O.P. campaign this year depends more and more on one dead man, Harry D. White, exhumed in the witch hunt; others march behind a flag, the Republicans behind a corpse.

As our own contribution to justice and sanity, we are devoting this entire issue to examination of the latest charge against White—that he violated his duty and "stole" the German mark occupation plates for the Russians. This accusation, unlike most made against him, has the virtue of being concrete and specific. In addition, it also has the advantage that it can be studied in the light of an earlier investigation. How often the same *canards* are being warmed over! Even without a trial, with no chance to cross-examine the informer involved, merely on the meagre basis of some documentary material, enough can be learned to show just what flimsy, spurious and mangy tripe is being served up to the American people as the campaign of 1954 gets underway. Beginning on page two is the story, with the citations, so the reader may judge for himself.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Harry White and The German Currency Plates:

Elizabeth Bentley Comes Up With A Brand-New One

I

In her book, "Out of Bondage", Elizabeth Bentley writes (p. 241), "He (William Ludwig Ullman) also brought me samples of the marks the United States was preparing for use in the German occupation. The Russians were delighted, as they were planning to counterfeit them. However, due to a complicated ink process this proved impossible—until I was able through Harry Dexter White to arrange that the United States Treasury Department turn the actual printing plates over to the Russians!"

This was the story Miss Bentley elaborated in her appearance this Fall before Senator Mundt (R. South Dakota) sitting as a one-man subcommittee of the McCarthy committee. Miss Bentley testified (*Transfer of Occupation Currency—Espionage Phase: Committee on Government Operations*, U. S. Senate 83rd Congress, 1st Session, pps. 28-31) that she was instructed in late 1943 or early 1944 "that the Russians were very much interested in American occupation currency for Germany in the event that we won the war, and I was asked to contact Gregory Silvermaster, who was head of the Silvermaster group, and Ludwig Ullman, and to put pressure on Mr. Harry D. White in the Treasury to procure samples of this occupation currency."

Wrapped, Like Fish, In A Newspaper

Miss Bentley testified that she relayed these instructions. "I can't remember whether it was the next meeting 2 weeks later, or the next after that, but I believe it was Mr. Ullman who produced 2 or 3 samples of occupation marks, which he gave to me wrapped in a newspaper. He informed me that they were very valuable, and they must be returned before they were missed; that we could only borrow them to photograph them."

Ullman, according to her testimony on other occasions, is supposed to have had a dark room and a "Contax" camera in the basement of the Silvermaster home in which to photostat documents for the Russians. No one asked her why, if the sample marks were so valuable that "they must be returned before they were missed," they were not photographed then and there by Ullman. Instead Miss Bentley says she took them to New York "and delivered them to my Soviet contact, Bill."

"Put Pressure On White"

But at her next meeting or the one after, the sample marks "were returned to me," Miss Bentley related, "with the comment that they were unable to photograph them so that they would be useful, and that therefore we must ask the Silvermasters to put pressure on Mr. White to turn over the plates for making the marks to the Russians." The subcommittee's assistant counsel pressed for more details:

Mr. La Venia. **Miss Bentley, when you were given your original instructions from Bill, your Russian contact, was there any indication given to you why Bill wanted copies of the currency?**

Miss Bentley. **Not in so many words, but it was implicit in it. Obviously you would not want occupation currency unless you could use it for counterfeiting.**

It was on this testimony that Senator Mundt based an "interim report" last week (83rd Congress, 1st Session, Report No. 837) finding that White "the Communist agent involved in espionage . . . a trusted official of the Treasury . . . procured the samples of the Allied military mark in direct compliance with orders from his Russian superiors. This was done with full knowledge that the Russian government contemplated resorting to counterfeiting and forgery if necessary to accomplish their desires."

Two other associates of White, V. Frank Coe and Harold Glasser, are linked to the plot by the Mundt report, though a careful reading of the report and Mundt's own hearings will show that there is no evidence either participated in the decision to give these plates to the Russians. Coe testified that he did not enter the Treasury until 10 months later and the documents on which Glasser's name appears as a conferee deal with later negotiations to determine a rate of exchange for the Allied occupation marks.

The Mundt subcommittee also heard two "friendly" witnesses who were in the Treasury at the time and opposed the transfer of the plates to the Russians. One was Alvin W. Hall, still director of the Treasury's Bureau of Engraving and Printing. The other was Daniel W. Bell, then Under Secretary of the Treasury, now president of a Washington, D. C., bank. Both said the Treasury was reluctant to hand over the plates. Mundt and his assistant counsel tried hard to get some unfavorable testimony from them about White. Hall was asked by La Venia, "Do you recall anyone in the Department who constantly kept the negotiations open rather than turning down the Russian request?" Hall's answer was, "I don't know of anyone who kept it alive, except the Russians perhaps." Mundt tried a broader and more leading question:

Senator Mundt. **During your tour of duty during the last long period of years, did any people in the Treasury Department ever arouse any suspicion in your mind that they might be a little bit overzealous in encouraging a Russian point of view, or being of assistance to the Russian Government from the standpoint of this monetary transaction?**

Mr. Hall. **I couldn't say, Senator, that I suspected anybody for any sabotage or espionage at all.**

Mundt Was Charitable

"Of course," Senator Mundt commented charitably, "it must be remembered that that was a time when we were an ally of Russia, and it is quite conceivable that a statement which they might make which would sound pro-Russian today might not have sounded so suspicious at the time."

Mundt and La Venia tried again when Bell took the stand, but no more successfully. The course of the questioning soon disclosed that at an executive session earlier in the day Bell had spoken highly of White's patriotism. La Venia had begun by asking Bell whether he recalled that "in each instance when a decision was about to be reached adverse to the Russian government's demands, that it appeared to you that Mr. White, Harry Dexter White, wanted to keep those negotiations open." Bell replied, "No, I don't think there was anything that led me to believe that he particularly wanted to keep them open."

Mundt intervened, "I think the phrase you used this morning, Mr. Bell," the Senator said, "was while you and Mr. Hall were aloof to granting this request, you used the phrase, 'Mr. White was aloof to turning it down!" Bell said that was "probably true, but as I still say, even with that it didn't in any way arouse my suspicions." Bell said he thought this desire on White's part to keep negotiations open was "quite a natural thing to do in his contacts with various foreign governments" and suggested White might have gotten this attitude from "other departments, because everybody wanted unity of action."

The Senator was exasperated. "I was not assuming," he said "that you looked at him [White] with skepticism or had any doubt about his purpose, *because you testified this morning also, in executive hearing, that never on any occasion had he given you any acute reason to be suspicious as far as patri-*

(Continued on Page 3)

We Still Need Your Renewal to Survive—Renew Today

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Why Was She Silent When The Story Was Still Hot?

(Continued from Page 2)

otism was concerned." (My italics. As usual with these committees, material favorable to the victim is kept in executive session—only the bad is disinterred). But hadn't White insisted that negotiations be kept open?

Mr. Bell. **I think that I said that the memorandums and the records show that he was trying to do everything he could to keep the negotiations open for further consideration.**

Senator Mundt. **That is right.**

Mr. Bell. **But we interpreted that to mean its was part of his duty.**

At that point Senator Mundt desisted.

II

It is strange that Miss Bentley never told this story in any of her earlier appearances before Congressional investigating committees, strange that she waited five and a half years to testify about it. There was no mention of these currency plates in her public "debut" July 30, 1948, before the Senate audit and expenditures committee nor next day before the House Un-American Activities Committee. Harry White was still alive and might have been questioned about it.

A year earlier the Senate committees on Appropriations, Armed Services, and Banking and Currency had held joint hearings on "Occupation Currency Transactions" in which the story of these plates given the Russians figured prominently. (A freshman Senator named Joe McCarthy took part in the hearings). The Senators who sat in on those hearings might have wondered about certain aspects of the Bentley story.

They Got Them Faster Officially

They might have wondered why the Russians had to get samples by such slow and roundabout methods when they had already obtained samples directly and openly from two official sources. Hall testified in 1947 that the Bureau of Engraving and Printing had gotten up a supply of sample notes before going "into production of the regular run" (p. 121, 1947 hearings, as cited, 80th Congress, 1st Session). "When the Soviets asked for specimens of the currency we printed," Hall told the Senators that year, "we sent them a specimen book . ."

Hall did not say just when the samples were given the Russians but there are two other documents in those older hearings which show how rapidly they got samples through official channels. A document on page 226 shows that at a meeting on February 1, 1944, in McCloy's office at the War Department, the designs for the German occupation currency were approved and a decision taken to go ahead without awaiting the full concurrence of the British and Russians.

On page 173 there is an official document dated February 9, 1944, just nine days later, from Harry D. White to Soviet Ambassador Gromyko "enclosing for your information" photostatic copies of the Allied mark occupation currency and saying, "It would be appreciated if you would cable descriptions of these notes to your Government in order to keep the Government informed as to our plans here."

So the Russians got sample notes made before the regular run from the Bureau of Printing and Engraving and within nine days they also were sent photostats by the Treasury. This was much faster than Miss Bentley worked.

Judging by the 1947 documents, the Silvermasters were not the only ones bringing pressure to bear on White. So were Molotov and Harriman. On page 151 there is a cable from Harriman in Moscow to Secretary of State Hull, with copy for "Mr. Harry White, Treasury Department", giving a paraphrase of a note from Molotov. In this note Molotov says the Soviet government does not consider "sound" the objections put forward by "Messrs. Morgenthau and White" in Washington against giving the currency plates to the Russians. Molotov warned that unless the plates were given the Russians they would be forced to issue marks of their own in Germany.

Another document on page 185 of the 1947 hearings hardly bears out the Bentley-Mundt picture of what White was doing. In this James Clement Dunn says he has just received another cable from Harriman saying he had been informed by the Soviet Foreign Office "that the Russian government was not prepared to accept as valid the arguments advanced by Secretary Morgenthau and Mr. White in their conversations with the Soviet Ambassador in Washington concerning the difficulties of making the plates available to the Russians." This document shows that the State Department and the Army, unlike the Treasury, favored giving the plates to the Russians because they feared the effects of separate occupation currencies (an alternative White suggested to Gromyko, according to a document on page 184). "Mr. Dunn", on the other hand, "said that it would have a very nice effect upon the German people if we all used the same type of currency."

The Order Was General Marshall's

It was not the Treasury but General Marshall (p. 193, of 1947 hearings) who finally ordered on April 13 that the Russians be given plates of their own. The British Foreign Office agreed (same) two days later "that for political reasons the Russians should be given plates." The Russians were given not only the plates but the proper inks and a document a month later (p. 201) describes a stormy conference over a rather silly mix-up with a very stubborn Gromyko. "After the Ambassador and his representatives left the room," this says, "the others present remained and discussed the situation. *Mr. White was anything but complimentary to the Russian delegation.*" (My italics).

The 1947 records show that the Treasury fought a rearguard action against giving separate plates to the Russians. While Miss Bentley spoke glibly of counterfeiting, Mr. Hall, the head of the Bureau of Printing and Engraving, testified in 1947 and again this year that one reason they objected was that "it would be extremely difficult for the Russians to print a note to be identical to the one we were printing" (p. 3 Mundt hearings) and it was feared that differences in appearance would undermine faith in the currency.

War Department testimony in 1947 was to the effect that the U. S. and Britain wanted the Soviet government to use the same Allied military occupation marks "as part of the plan to treat Germany as an economic whole. To agree to the Russians using a different currency would have constituted an agreement in advance," Assistant Secretary of War Howard C. Petersen explained (p. 15, 1947 hearings), "to what unfortunately actually happened—the division of Germany into four airtight compartments." The Russians agreed, but insisted that they be allowed to print from plates of their own.

As General Hilldring explained (p. 119) to the joint committees in 1947, "the Russians said to us: 'We agree to use your currency, but we cannot trust you to print it and to fly it halfway around the world to Moscow in time for us to get it out to Zukov and his troops.' When they said that, a very plausible and reasonable case was made by the Russians."

III

In his appearance November 17 as backstop to Attorney General Brownell before the Jenner committee, FBI Director J. Edgar Hoover said "All information furnished by Miss Bentley, which was susceptible to check, has proved to be correct." This story of White and the German currency plates was one of the few stories Miss Bentley told which was "susceptible to check." Either it was held back from the FBI

(Continued on Page 4)

Only Three Weeks to Expiration Date—Use The Blank on Page 4

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Warming Over An Old Fulton Lewis Bedtime Story

(Continued from Page 3)

by Miss Bentley, or the story—when checked—proved so weak that she was advised not to relate it at her public appearances in 1948 before the Senate and House committees. If this was one of the stories she told the 1947 grand jury investigation, the currency story may be another factor in explaining why that grand jury after months of deliberations failed to indict a single person she named.

White Was Not A Target In 1947

There is another angle of this story which cast doubt upon it. The German currency plate story first broke in 1947 as a sensational broadcast by Fulton Lewis, Jr. It was this which led to the investigation that year. The exaggerations inspired by the Fulton Lewis broadcast were fantastic. Thus one Congressman (White was not a target at that time) told the House in June of that year that Morgenthau "gave to Russia American printing presses in order that they might print invasion dollars to be redeemed by this country with gold at $36 an ounce. All that Russia has to do today is to take a little paper and print the money and then we pay in gold." Rich said we had already paid Russia some $300,000,000 to $400,000,000 in this way. Knowland was telling the Senate at about the same time of reports that the United States had had to redeem $380,000,000 in occupation currency spent in Germany by Russian troops!

Mundt brought up the same figure in his hearings but a representative of the Army Comptroller's Office explained, "That $380,000,000, as I recall, Senator, represented the total amount of excess currency that we had in Germany and Japan. We had about $75 million worth of excess currency in Japan, and the 2 figures, the 225 plus the 75, plus a few more incidentals, made up that figure."

Black Market Money

What is this "excess currency"? For many months after the war ended, the U. S. unlike any other occupation power East or West, allowed its soldiers to trade local occupation currency for dollars with no limitation. This was a boon for the black marketeers. A soldier could sell a carton of cigarettes for marks or yens at ten to a hundred times what he paid for it in an Army PX, then bring in his marks or yen and exchange them for dollars to be shipped home. The "excess" measures the extent of these practices. This means that the Army was called upon to redeem some $380,000,000 more in marks or yen than the entire appropriation given it by Congress for German and Japanese occupation costs. Soldiers had made profits large enough to equal their salaries, living expenses and other occupation costs plus $380,000,000. The $380,000,000 was paid by the Treasury.

Some of this filtered in from the Russian zone, but not the way Mundt pictured it. No Russian could collect dollars for his occupation marks. Russian soldiers, paid in marks they could not exchange for remittance home as rubles, found themselves with huge quantities of cash in a country denuded of goods. They bought wrist watches and other luxuries at fantastic prices from American soldiers, who promptly changed their profits into dollars and sent them home. It was in this way that some Russian occupation marks ended up in the Treasury.

The Same Thing Happened In Japan

Actually "Russian" marks were a small part of the picture. The same thing happened in Japan, where there were no Russians—and, again, earlier in Italy and Belgium, where local currencies were involved. Everywhere the American Army went, it showed remarkable entrepeneurial ability. Once the fighting was over, the "Yankee traders" got down to business. The Army never made its records public, but Treasury investigators are said to have found that one General made more than $20,000,000 and that there were 100 new millionaires in the occupation forces. They "had it so good" that at one time the Army owed cable companies a million dollars for flowers cabled home to mother and girl friend by exuberant soldiers spending surplus marks.

The sour joke which tops this story is that if the voluminous 1947 hearings are read carefully it will be seen that it was the Treasury, and particularly its monetary research division, with White, Coe and Glasser, which began early to campaign for a system of scrip payments which would end the black marketing, and the drain on the Treasury. This was the system finally adopted by the Army late in 1946. (The same documents show Eisenhower long opposed the change). This made it impossible to run a few dollars into a small fortune in marks and then change the marks for dollars at Treasury expense. It also made it impossible any longer to sell the Russians $50 wrist watches for $200 in occupation marks. It was White and White's associates—the hounded men of 1953—who put a stop to the very practices by which the Russians were supposed to be cashing in on the U. S. Treasury. This is the real story behind the Bentley testimony and the newest G.O.P. stinkbomb.

Let Us Send A Sample Copy of This Issue to A Friend—Or, Better Yet, Start A Gift Sub With This Issue

Don't Rue It, Do It.

PLEASE RENEW NOW

I. F. Stone's Weekly, 301 E. Capitol, Wash. 3, D. C.

Please renew (or enter) my sub for the enclosed $5:

Name _____

Street _____

City _____ Zone _____ State _____

Enter this gift sub for $4 more (money enclosed):

(To) Name _____

Street _____

City _____ Zone _____ State _____

12-27-53

I. F. Stone's Weekly

Room 205

301 E. Capitol St., S.E.

Washington 3, D. C.

NEWSPAPER

Entered as Second Class Mail Matter Washington, D. C. Post Office

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED